

MEETING SUMMARY NOTES

Mayor's Infrastructure Finance Committee

*December 19, 2002
4:00 p.m., Mayor's Conference Room
2nd Floor County-City Building*

Members: Present – Brad Korell, Jan Gauger,
Linda Crump, Russ Bayer, Terry Werner, Larry Zink, Carol Brown,
Jerry Schleich, Dan Marvin, Richard Megginis, Allan Abbott (non-voting)
Absent – Jon Carlson, Bob Hampton, Otis Young

Others: Steve Masters, Kent Morgan, Roger Figard, Nicole Fleck-Tooze,
Karl Fredrickson, Margaret Remmenga, Nick McElvain, Hallie Salem,
Bruce Bohrer

AGENDA ITEMS DISCUSSION:

1. Welcome - Russ Bayer, Committee Tri-Chair

Bayer, Committee Tri-Chair welcomed the group and wished happy holidays to all.

2. Meeting Summary Notes - November 21, 2002

Minutes have been sent out. No additions or corrections at this time.

3. Public Comment Period

Bayer asked if there were any members from the public that would like to address the group. There were none.

4. Work Group Report: Legislation

The program was turned over to Gauger at this time and Morgan had some handouts. Gauger explained there are two handouts, with one being a condensed version of the committee's final report and the other is a document they worked from.

The Committee did not feel they could rank the five options for fuel tax increases -- especially given the uncertainty surrounding the upcoming Legislative session. Gauger indicated that Senator Beutler had been in attendance at three of the four Legislation Work Group meetings and had expressed concern that the upcoming session would be dominated by State financial

concerns. It was the Work Group's desire that all fuel tax options be forwarded for consideration by the Infrastructure Finance Committee.

Gauger noted that the only option not needing State action is the last item -- the local occupation tax. Bill Austin, former City attorney, was on the Legislation Work Group and had pointed out that the City of Lincoln has ability under State law to apply an occupation tax to a wide range of occupations -- including the sale of fuel. It was believed that currently the City is only applying the occupation tax to cable and telephone services.

Gauger stated that the Work Group have talked about the acceptability of a local occupation tax on fuel and felt that it had a great chance of passage than the four State taxing options. Abbott indicated that a one cent occupation tax on fuel would raise about as much as a one cent State gasoline tax if the present State allocation formula was applied. It was noted by one member of the Committee that the local occupation tax is a direct user fee, so the more you consume the more you contribute.

Korell asked if that is the same as a gas tax. Abbott answered the occupation tax would be -- for example, there would be a one penny occupation tax placed on every gallon of gasoline pumped within the city limits. Abbott noted that we have been unable to find out the number of gallons of fuel sold in Lincoln each year. Abbott referred to calculations Committee member Dan Marvin had made -- these calculations used a conservative approach was based on a estimate of the number of cars in the City of Lincoln, then took an average national fuel usage figure and came up with an estimate of about \$1 million of revenues per penny of fuel tax. Abbott stated that he had been estimating that a one penny fuel tax would give Lincoln about \$1.75 to \$1.8 million in revenue. Abbott indicated that many in Lincoln don't think that the City get's its fair share because of the City has about 15 percent of the State's population base but receives about 3 percent of Statewide fuel sale revenues.

Korell asked if the State knew about the gallons of fuel sold in Lincoln. Gauger and Abbott noted that the State collects their fuel tax information from the wholesalers which is different than what is being suggested with the local occupation tax which would be applied at the retail level. Abbott reiterated that no one has been able to give him figures on the amount of gasoline sold in Lincoln.

Korell asked if the City Council could impose the occupation tax with no other provisions needed. Gauger and Morgan both agreed an ordinance is needed but that no other action State or local legislative appeared necessary. Gauger noted that the Work Group was not looking at a tax on anything but gasoline and diesel fuels -- not motor oil, kerosene, or the like. Schleich asked who pays the tax collected currently? Abbott said that the State tax is collected from the wholesale distributor at the beginning of the pipeline, not the end of the pipeline.

Werner asked if there are restrictions on how the money could be used? Abbott said that would be part of the ordinance. Gauger said the Work Group's recommendation is that it would be used for roads for capital improvements since that's the gap they are trying to fill. Abbott added

that the wheel tax increase passed several years ago was limited to construction as opposed to other areas. Bayer asked Gauger that since the Work Group emphasized the fifth option (i.e., local occupation tax), did the Work Group feel this was the strongest option? Gauger indicated that the Work Group felt that if you need to quickly raise money for street construction, that the local occupation tax was the best way; however, there was no clear vote to prioritize one option over another.

Brown asked what the biggest opposition was to the occupation tax. Gauger said that it was not necessarily opposition but more a question of which one should be first. About half the Work Group wanted the occupation tax listed first. Others said we don't need all five options if not needed. The other four options need state action and we don't know if we could get those passed. Crump added this would be easiest one to get going. During the Work Group meetings, Senator Beutler had not been real encouraging about getting any fuel tax legislation through this session of the Unicameral.

Bayer noted to Gauger that the Work Group would be for all five options. Gauger agreed. Gauger explained option 4 (i.e., State legislation authorizing a local fuel tax) saying it would be similar to an occupation tax to permit local jurisdictions to have their own sales tax on fuel; but that with Lincoln's occupation tax authority this (i.e., option 4) may not be needed. Option 4 would allow not just Lincoln, but other local jurisdictions to implement a local option fuel tax and some states do that.

Marvin asked what modifications would be needed to make things more equitable for Lincoln. Abbott answered they would have to revise the formula which is noted in Option 2. -- the difficulty with this option is that it is very tough to put together a coalition to revise the formula. Marvin asked what is the inequity? Gauger noted that the citizens of Lincoln put in about 15% of state gas tax while we get back about 3-4%. Korell added that this is not unusual in a rural state where you have a lot of roads and sparse population out west. Gauger said that the other complicating factor for the Work Group was that the governor had just appointed a Task Force to consider the overall highway allocation funding – a process that will take the next two years. Zink asked if Omaha or other municipalities use the occupation tax in this manner. Abbott and Gauger were not sure. Abbott stated that Omaha has used general revenue bonds for street construction and may be using other methods for funding. Gauger said the Work Group was only recently briefed about the Task Force and that the Task Force has a lot of work ahead of it. Bayer asked for any other questions on the fuel and none were stated.

Gauger stated there was a general consensus among the Work Group that the design-build bidding approach should be made available. At the present time it is not available to the City of Lincoln. Nebraska school districts have the ability to use this approach. This approach means that you can let a contract from beginning of design to end of construction. This could save time, and time is usually money. Abbott added this would take a change in the charter for the city. You must have a set of plans before you can take bids. This approach allows a local entity to take a single bid to do the plans and the construction contract. Gauger advised that the people who would be in favor of this approach would be the large contractors, while smaller contractors

would be opposed. Abbott added that Lincoln has mostly small contractors. Gauger noted that the Work Group discussed all pros and cons and forwarded them for the Committee's consideration.

The next option discussed by Gauger was the MIRF - Municipal Infrastructure Redevelopment Fund. This fund is drawn from the State's cigarette tax revenues. There have been no increases in MIRF funds to Nebraska communities in the last few years because the increases in the cigarette tax have been kept by the State and not passed onto the cities. This is something the City lobbyists should be looking into. Abbott added that if we cannot get an increase in MIRF funds we should at least lobby to retain what we currently receive. During the Work Group meetings, Senator Beutler had expressed concern that with the revenue short fall at the state level, the temptation would be for the Unicameral to take funds away from the cities -- not add to them. In short, he advised that the Work Group not assume it will stay, but make an effort to retain or increase them. Meginnis asked how much MIRF funding was received by Lincoln each year? Morgan estimated that it was between \$300,000-\$400,000. Werner stated that he recalled the City received \$475,000 in MIRF funds last year.

Next item for consideration was Storm Water Management Utility. Gauger noted that this item gave the Work Group the most difficulty. The consensus of the majority of the Work Group was to support the legislation, but many Work Group members wanted more information. The Stormwater legislation was viewed as a measure of obtaining additional funds for the City.

Gauger stated that there were feelings among the Work Group that this service should not be a utility but should stay with the current property tax and GO bonding approach -- while others among the Work Group felt this is a fair way to raise money for storm water management because those releasing the most quantity of water would be paying more.

Meginnis asked if the City isn't already lobbying for this legislation? It was generally agreed the City is lobbying in favor of the legislation. Abbott indicated that the city is working with the League of Municipalities on this legislation. He also noted that his office had not yet calculated the funding gap for stormwater because this must be done on a basin by basin estimate.

Gauger noted that when the federal stormwater mandate becomes effective, there will be a shortage of funds and uncertainty as to how the services should be paid for. Marvin asked if there what we would want to charge for the service. The answer given was under the proposed legislation, each community could set up its own local storm water service and then establish rates accordingly. Fleck-Tooze noted that for Lincoln it is estimated that a typical residential unit -- based on nationwide rates -- would pay about \$3 to \$6 per month. Crump added it also brings in public entities not previously involved. Abbott noted that while the word "utility" has bothered some people, this is just what it has been called. Bayer asked if it is a fee it can be used for other things. The Committee generally agreed that it could only be used for stormwater management activities. Abbott stated that the fees would likely take the place of the General Obligation bond issues currently used for constructing stormwater facilities in Lincoln. Gauger

added that this is very complicated issue. Bayer asked for further questions on storm water. Zink asked about the impact of this approach on the City's spending lid. No one knew.

Gauger continued with the Federal reauthorization Legislation which brings up the same question as on the MIRF funds of retaining the level of past funding and trying to increase. This has nothing to do with state legislation, but it is important to emphasize. Bayer asked for any questions. There were none.

Bayer noted that the Work Group come up with five general areas of review; the question now is how does the Committee want to proceed? The Committee agreed that it should proceed with coming up with recommendations for the Mayor, especially in light of the fact that the State Legislative session begins prior to next Infrastructure Finance Committee meeting.

Marvin stated the big issue is a one or two cent tax on gas -- if we do it, it really moves farther ahead to pay for streets. Schleich asked if we are in a position to do that -- we can't decide now on a one or two-cent tax. Bayer noted that regarding fuel sale revenues, if we are looking at Item 5, we can delay a recommendation -- the other four options require state legislative action.

Crump stated that part of the Work Group's discussion hinged on the fact that we don't get our fair share of state money, and as a city, do we need to do something to change this. If we don't increase the fuel tax at the state level, then we would have to take from some area -- or as a city do we need to something. Both are important but this legislative session may not change this.

Gauger added that all of these require political action at some level. Zink asked more about legislative sessions coming up. Gauger stated that Kathy Campbell, presently on the County Board, is one of the Co-chairs of the Governor's Task Force and that could result in a different distribution formula -- there probably will not be much happening because the two-year Task Force has not met yet. Bayer asked if we should talk about this now so we have some ideas in the future. Gauger wants to work closely with the Governor's Task Force.

Zink noted that we want to stay focused in the next few months and he felt the most promising was the storm water utility. Gauger added that the occupation tax is the most immediate action we can take as a community. Zink said that we do not need to do anything with the occupation tax in terms of State legislation.

Marvin noted that the "design-build" bidding approach requires legislative change and did Senator Beutler that would be difficult? Gauger did not know if he commented on that. Abbott said the idea had been killed in Committee last year because of objections of smaller contractors. Bayer said that he would like to have a smaller development here today for comment.

Bayer asked if the Committee has decided not to prioritize the legislative items. Schleich stated that the Committee should look first at the occupation tax and secondly at the storm water fee. Gauger felt those were different subjects. There was general comment then that these are all sources of revenue.

Zink stated that the occupation tax does not require state legislation and we could wait until the whole report is put together based on all of the findings of the three Work Groups.

Gauger noted that of the first four fuel tax options, the one that the Legislature would most likely accept would be Number 4 – if city officials did not look at an occupation tax, then Senator Beutler felt they might look favorably at a local tax fuel option tax under state legislation which would have about the same affect as the occupation tax. Abbott added that the Committee might want to consider that the League of Municipalities is going to be asking for the introduction of legislation increasing the State's fuel tax. The Committee could consider working with the League of Municipalities and have them take the lead on this issue. Werner felt it would be better if we raise the money here to keep it here rather than fund outlying areas by state raising the gas tax. Russ agreed with that viewpoint and he felt that Item 3 would raise more tax and let the state divide it by the same formula. Item 4 is let each local jurisdiction do it, but we still need city council approval and Item 5 skips the state entirely and goes directly to the City Council for action.

Korell stated that our destiny seems more in our hands with Item 5 rather than going through the state. Zink asked what is Omaha doing? Abbott indicated that Omaha is probably in the same position this Committee is in right now. No one wants to increase gas tax in either city. The occupation tax is a one approach taking the state out of the process. Bayer asked that for the sake of discussion, we should ask our lobbyist to get a modified formula to get us more money which would take care of Items 1 and 2, then bypass 3 and 4 and go to our City Council and ask for some occupation tax money. These would be some recommendations for our City Council. For short term we could ask for some occupation tax help and make recommendations to get lobbyist to help get more funds.

Meginnis asked who directs our lobbyists - the City Council or the Mayor? Bayer noted that our recommendations go to the Mayor. Gauger added that the lobbying priorities are approved jointly by the Mayor and Council. Meginnis then asked to keep Item 4 in the mix. Zink indicated that the League of Municipalities is going to bring in Item 3. Meginnis stated that there is also moderate support from the League for Item 4 and that we should not draft a bill to get to Senator Beutler to introduce to this Legislative Session without support of other groups.

Bayer asked what does 1% of the formula mean to us in dollars? Abbott stated that a one-cent increase going to the cities would mean about \$1.7 million to \$1.8 million to Lincoln, and that in his opinion supporting Item 3 with the League of Municipalities being in the lead would be the best way to spend our money for lobbyist this session. The next long legislative session would be three years away and the occupation tax could move more quickly. If we try to change the formula now, it would be killed.

Bayer noted that we should bring more money in our community. Zink stated that he was still interested in Item 4 because he felt it is the most straight forward. Gauger said that this is the same problem the Work Group had in prioritizing.

Bayer said that in trying to summarize this discussion, Items 4 and 5 are near the top because of local control, followed by Item 3, and the Items 1 and 2 would be longer term solutions because they deal with formula.

Korell asked on Item 3, whether Lincoln would initiate it or join with the League. Zink asked if the City were to lead on Item 4, should we talk with Omaha? Bayer pondered a question in response as to why is 4 better than 5? Gauger noted that it isn't better, but here we are talking about political will. Bayer stated that he didn't feel our City Council would not do both.

Gauger felt that if the City preferred not to do an occupation tax, we could raise approximately the same amount of money if you could have the local option fuel tax (item 4.). Going that direction it would be enabling Legislation at the state level and then the City Council would have to take some action under that. Bayer then asked why would the City Council, who presumably would have just voted no on an occupation tax on fuel, then vote for a local fuel tax.

Crump added that Item 5 (Occupation Tax) is just Lincoln doing something. When you look at Item 4 (Local Fuel Tax Option), many cities are in the same situation. The Legislation would enable all of those cities to do it.

Zink indicated that the fuel tax is an expense we're used to paying and for all practical purposes the occupational tax on fuel is doing essentially the same thing.

Bayer suggested that a reverse prioritization might be most appropriate based on the Committee's conversation -- this is, priority of Items 5, 4, 3 and 1-2. Item 5 would move quickly, Item 4 we will know if there is movement in the next 90 days and how much money we will need, Item 3 we could be passive bystanders, follow up Items 1 and 2 personally. Do we have to make an active recommendation to city council? If we make a recommendation, we have to take a vote.

Gauger made the motion to forward a recommendation to the administration based on the Committee's discussion. [A portion of the this conversation and Gauger's motion were not captured by the recorded as the tape needed to be changed.] A portion of the motion call for supporting the League of Municipalities efforts (along with encouraging county officials) regarding Item No. 3 of the Fuel Tax options, and that the City work with the Governor's State Task Force on Items 1 and 2. Motion was seconded by Jerry and Dan.

Bayer asked if this was the kind of recommendation that would be expected from this group. The Committee agreed and Bayer asked Werner, as a City Council Representative, if this is something that they could use if the Infrastructure Committee recommended Items 5 and 4. Werner felt this motion was clear enough.

Marvin raised the question of whether a one cent increase in Lincoln's fuel tax would bring in \$1.75 million, and if also done, would we get \$1.75 million from a state wide increase of one cent in the fuel tax? Abbott stated that to get "a penny's worth of revenue" going to the city,

you would have to raise the State more so there would be 1 penny for the state, 1 penny for the county and 1 penny for the city; so in effect it would take a 3 cent increase at the state tax which is what Item 3 is. Marvin said this seems like an inefficient way to raise money for us. Korell felt we were going to be passive on Item 3. Gauger said we should support the League of Municipalities if they introduced the legislation.

Bayer restated the motion on Item 3 – in essence we would be passive bystanders to the League. Gauger said we should not be passive but we should join and support the Leagues efforts. Abbott noted that we should not be the “point person” for Item 3 but join in supporting the League. Gauger stated that Lincoln wants to support the League. Bayer said that based on his interpretation of the motion, we would not work on Item 3 but mainly on Items 4 and 5. Marvin felt we should just do the oppose this. Abbott noted that the basic philosophy in Nebraska is that if there are not 25 senatorial votes in favor of the issue from the Omaha and Lincoln areas, you can just about forget any action.

Korell noted that if the League of Municipalities starts the ball rolling, Lincoln needs to be an active participant to protect our interests. Werner added that we could go to the Mayor with Item 4 as a recommended approach, although in reality the city already supports Item 3. Bayer agreed on a state level but hopes the City of Lincoln takes Item action on Item 5 as a local issue to support. The Legislation Work Group did a great job because all are key issues. Gauger stated they had a great Committee.

Abbott noted that for seven years, the money has not been fairly divided. Zink stated that Items 1, 2, 3, and 4 are state issues -- and since Item No. 5 is a City issue, why do we include it with the other 4 items in the motion? Gauger asked whether the Committee thinks we should have a separate motion on Item 5? Gauger added that we can and should remove Item 5 from the motion. Bayer stated that as Chair he would entertain another motion on Item 5. Bayer stated that it was his understandings that the Committee now had a motion saying indicating that the Committee emphasizes Item No. 4, but that the Committee also will support Item 3, and that we shouldn't neglect Items No. 1 and 2 when the time is right. There was a unanimous roll call vote in favor of the motion. (Favored: Korell, Gauger, Crump, Bayer, Werner, Zink, Brown, Schleich, Marin, Meginnis. Opposed: None. Abstentions: None.)

Gauger then made the motion to forward a Committee recommendation on Item 5 to the Mayor and City Council. Meginnis seconded. Gauger restated the motion as support form and recommendation on Number 5 to the city administration and city council. Zink asked what do we want them to do? Bayer asked whether the Committee needed a stronger motion on the implementation of occupation tax? Zink stated that the Committee is not realistically expecting the Mayor and Council to do anything on this until the Committee has the final financing numbers. Gauger said that the numbers her Work Group was working with showed a shortfall for roads of \$90 million.

Zink asked if we are saying to the Mayor and City Council that we want you to proceed with enacting a one-cent occupation tax now? Marvin indicated that “no” but that in terms of

priorities, this Committee supports the use of an occupation tax as an option to raise funds. Bayer stated that maybe we ought to give the Finance Work Group the opportunity to say to the Committee if the occupation tax on fuel is a good deal. Zink agreed we should give the Finance Work Group this information and asked that they look at. Gauger added that we should clarify this to say occupation tax on gasoline. Schleich asked if there was an exclusion of diesel fuel. The group agreed this was to exclude motor oil but not diesel fuels. Abbott explained that his understanding was that this was to be applied to fuel sold at the pump, not motor oil. Bayer said that there was a motion from Marvin, seconded by Gauger. Gauger felt her Work Group has an obligation to tell the Mayor of their recommendations and let him know this will be referred to the Finance Committee also. Bayer asked is there was any other discussion? There being none, a roll call vote was taken with the motion passing. (Favored: Korell, Gauger, Crump, Bayer, Zink, Brown, Schleich, Marvin, Meginnis. Opposed: None. Abstention: Werner.)

Bayer suggested that the Committee now moved on to discuss the “design-build” bidding approach. Gauger explained this bidding approach has mixed reaction from the Work Group although they felt it was an option that should be available. Gauger asked for recommendations from the Committee on design-build bidding approach.

Marvin asked if the concept has been before the Legislature in previous session and that if we have favored it, we should let our lobbyist know we support. Bayer asked if that was a motion? Marvin said yes. Meginnis seconded the motion. Zink expressed concern that only select people (firms) are really qualified to use this approach. Gauger pointed out to the Committee that this building (i.e., the County-City Building) was built with a design-build approach. Schools in Nebraska also are allowed to use this bidding approach. Gauger noted that the Work Group was not saying that the City should or should use this approach, but just that this approach should be made available to the City of Lincoln.

Schleich stated that there are perhaps a dozen contractors out there who can do design-build. The problem with roads in particular is there are just two or three contractors who can come in and use this approach on a profitable basis. Schleich noted that Lincoln has many small contractors and this could be limiting. Brown asked if this approach limits our bidding to a small group of firms. Figard said that having the legislation would not change the City overall approach but would allow the City to pick the projects where it could be used as a way to save money -- the City would just not require it in all bidding situations.

Meginnis commented that he would see the City using this for larger projects – the Federal government does it this way for freeways. Abbott suggested that the City would apply this approach sparingly if it were available.

Meginnis asked if the Public Works Department were to find that the design-build approach were to cost more, he assumed they would not use that approach. In short, the proposed legislation just gives them the option to use this approach. Marvin stated that is we were to have \$850 million in projects, wouldn't firms raise the rates? Or would this approach allow larger projects to be bid out faster and easier? Gauger noted that the Committee should also

keep in mind that – even if the State enabling legislation passes – we would also need to have a local Charter amendment before the City can use the design-build approach. Bayer said that there would be many opportunities for public input. Korell asked Figard if the City would see design-build as a good tool for certain projects to cut costs and expedite projects? Figard responded that “yes” it would be a good tool but there is no indication as to how often it would be used.

Master noted that water and waste water projects rarely do they use purely local contractors or consultants. He stated that Des Moines recently had success using this approach for larger, more innovative large projects. Rehabilitation projects are another possibility for design-build because it is hard to write a specification for such projects when you have to tear something apart to see what needs to be rehabilitated. Public Works and Utilities had wanted to use the design-build approach on the existing plant at Ashland. Bayer restated that this is a good tool used at the right time and Abbott agreed. A motion was made by Marvin and seconded by Meginnis to support the potential and appropriate use of design-build bid by the City and to support efforts at the State Legislature advocating its passage. Zink asked that this legislative work be given a lower priority than the fuel tax. Russ asked for a role call on the motion to support the process at the State level to approve legislation authorizing the use of design-build bidding by municipalities. The vote was unanimous. (In favor: Korell, Gauger, Crump, Bayer, Werner, Zink, Brown, Schleich, Marvin, Meginnis. Opposed: None.)

Bayer noted that the next item to be discussed was the Work Group’s review of the State MIRF funds. Gauger stated that the Work Group was looking to have more State MIRF funds directed to local Nebraska communities. Gauger moved that the Committee add our support to this legislative measure; seconded by Marvin.

Zink asked if this has a lower priority than the gas tax. Werner added this is already a priority of the city. Bayer noted that the motion was to not just maintain our share of MIRF funds but seek more. Brown indicate that we might want to just ask for our continued share of the allocation and not seek an increase given the State’s financial situation. Gauger stated that if the MIRF funds (and the taxes used to generate them) were raised by the State, that the city would want our share of the increase rather than having it just kept by the State.

Bayer said that we certainly want to do Item No.2 -- which is take affirmative action to maintain the current allocation -- but if Item No.1 occurs we do not want to lose out on an increase over our current level of about \$475,000 annually. Werner asked if this is something discussed by the Finance Work Group as a potential tool -- as \$425,000 is already committed to F St recreation bonds. Morgan agreed that it is something the Finance Work Group would want to discuss. Abbott notes that if this money were to be taken away by the State, the funds would need to be made up from somewhere else, perhaps bonds. Bayer asked if there was any further discussion. There being none, the Committee voted unanimously in favor. (In favor: Korell, Gauger, Crump, Bayer, Werner, Zink, Brown, Schleich, Marvin, Meginnis. Opposed: None.)

Bayer noted that the next item for discussion was the proposed authorizing legislation for a local

Storm Water Management Utility. Gauger noted the Legislation Work Group had more problems with this topic than any other. It is very complicated and the Work Group was not sure how bill will end up being written. Gauger did note that as presently drafted the legislation would require local action (i.e., council authorization) to establish a stormwater program -- the proposal does not mandate or require that a stormwater utility be created. Gauger indicated that there was at least one person on the Work Group opposed to creating any another utility, and questioned whether this sort of program even constitutes a utility. Some Work Group members were also confused about how money collected as part of the program would be allocated between operations, maintenance, and capital improvements -- not that they were necessarily opposition so much as just not sure what it meant. They were reluctant to support the legislation because of their uncertainty and lack of clear understanding. Gauger concluded by stating that there was no consensus among the Work Group on the best approach to take.

Bayer asked for questions or a motion. Zink would like to move that this be a priority just below the fuel tax; this was seconded by Brown. Bayer asked for Committee discussion.

Schleich asked why is it necessary to prioritized the various options? Zink stated that it gives the potential for local entities to raise revenues that are directly tied to who's generating the need -- that appeals to him -- along with the local control. Schleich felt that there is a huge need for such services as stormwater management and that this is one of the biggest, costly things we have in this City. He does certainly support it but wanted a clearer understanding. Zink added that he thinks a stormwater program has the ability to minimize run off due to the monetary incentives it would create.

Gauger indicated that there is so much property in Lincoln is off the tax roll - the University, State Government, churches, schools -- and thus it will not be easy for city to implement the such a stormwater program even if the State legislation passes the Unicameral. All of those entities -- who don't pay property taxes now -- would not be exempt from a stormwater fee. Gauger asked if anyone from staff had met with any of these entities? Fleck-Tooze indicated that they had met with these organizations and that there had been concerns expressed. Abbott noted that what is being proposed is only enabling legislation, and does not require that localities set up such programs. Meginnis indicated that he had looked at drafts of this bill and there are problems -- it depends on how the city would enact and it will be hard to get through the City Council.

Bayer asked for any further discussion? Bayer mentioned other entities that are not of the tax rolls who could support it.

Bayer stated that the Committee had a motion before it to support Item No. 1 (as opposed to number 2). The Committee voted unanimously to support this motion. (In favor: Korell, Gauger, Crump, Bayer, Werner, Zink, Brown, Schleich, Marvin, Meginnis. Opposed: None.)

Korell asked for clarification -- if this comes into being when the original construction occurs or can it happen during the life of any building? Abbott noted that it was intended that the

stormwater payment would be included on you bimonthly water and sewer bill and would be collected at the same time as those two bills.

Bayer then mentioned the Federal Reauthorization Legislation and asked if any action is needed. Abbott stated that staff was meeting with Senator Beutler and Senator Hagel within the next several days and that staff was intended to express its support for continued Federal funding.

Gauger moved that we support discussion with Nebraska's Federal Congressional delegation regarding continuing capital funding for streets and highways; Meginnis seconded the motion. Bayer asked for discussion. There being none, a vote was taken. The motion carried unanimous. (In favor: Korell, Gauger, Crump, Bayer, Werner, Zink, Brown, Schleich, Marvin, Meginnis. Opposed: None.)

Zink asked about the Committee's recent discussion about the City's Wastewater Division trying to actively lobby the EPA to minimize the discharge requirements. He would like to have further discussion as to how this relates to clean water.

Bayer noted that the Committee had effectively prioritized the Work Groups summary items with fuels being No. 1, Storm Water being No. 2, Design/Build being No. 3, and Municipal Infrastructure Redevelopment being No. 4. Bayer asked if the Committee wanted to send such a prioritized conclusion to the Mayor?

Meginnis felt the Mayor had probably already done this. Crump made a motion to support this ordering of items in light of the change that the Committee has been given. Crump noted that the Committee is trying to look at infrastructure and what it means to the community's future. It makes sense to send the Mayor a set of priorities – and that the Committee has looked at and discussed them.

Bayer again stated that the priority order would be fuel tax revenues is No. 1, a stormwater management program is No. 2, the design/build bidding option is No. 3, and continued support for MIRF is No. 4. It was generally felt that federal legislation would happen regardless anyway and that the Committee's support of the Congressional delegations efforts to obtain funds for Lincoln is naturally assumed.

Bayer thanked Jan Gauger and the members of the Legislation Work Group for all the work and everyone gave them a round of applause.

Meginnis posed a question for Gauger -- did the Work Group look into other areas of interest that might need legislative action? For example, did the Work Group discuss SID's, basin wide special assessments or any other type of legislation that would be a tool to be used? Gauger indicated that they would not have been adverse to reviewing such items but that they did not come up during the Group's deliberations. Meginnis then asked if any legislative ideas were raised by the Finance Work Group, would it be possible to send those ideas go back to the Legislation Work Group? Gauger noted that in their report to the full Committee, the Jan. The

very last item was the expressed willingness of the Work Group to reconvene if there were matters the Finance Work Group wanted them to study and comment on. Crump added this may not be just ideas for the Finance Committee but also for the Cost Efficiency Committee if they come up with some ideas needing legislation to enable it.

5. Work Group Report: Cost Savings and Efficiency

Bayer reported that the Efficiency Work Group has a list with at least 20 ideas on it and that they have brought in Karen Jensen to help facilitate the process they are going to utilize in discussing the items. The month of January will be very busy for this Committee with weekly meetings scheduled plus three four-hour workshops scheduled. Two will be for the internal workings of the group and one as a public house educational opportunity for the community as a whole. Any questions will be try to be answered by Brown or Bayer.

6. Work Group Report: Finance

Korell had several handouts from his Work Group. Morgan advised the Committee that Brad would be referencing three handouts. The first two look very similar. Morgan explained the first handout was on Water and then Wastewater and last one was roads. Korell explained the handout on water first -- the Finance Work Group is trying to validate the gap and he has been pleased with progress on that. They are using the same format as used earlier in terms of what it takes to implement the approved Comprehensive Plan. The two handouts break down costs into two 6 year periods, along with a total. Korell noted that this breakdown complements the Group's planning horizon, which is the next 12 years. The numbers are continued to be refined. Korell stated that the Work Group have not talked yet about how to fill the financial gap this analysis reveals.

Korell then turned to a discussion on the handout dealing with future street projects. The first page shows figures for the Antelope Valley project, with the following pages presenting similar figures for other road projects, along with a concluding page summarizing all the costs. The Antelope Valley project table shows the costs and revenues for Phase I and Phase II during the during 12 year programming period. Abbott advised that the first phase of Antelope Valley will take 10-12 years phase, while the second phase will extend beyond the 12-year program. Phase I will begin in January or February (2003) when the Corps begins digging the channel. The contract was just awarded the other day.

Korell shared with the Committee group how much money would be spent in the first 12 years for the activities. The total for the Antelope Valley project is around \$200+ million for the street portion – the largest infrastructure portion of Antelope Valley is streets and they will be the most expensive part. Korell also explained when you see three asterisks on the handout these are funds that could be diverted (at the direction of the Mayor and the City Council) to other street projects. Those that are shown with a “pound sign” (#) next to them must be devoted primarily to the Antelope Valley project. Korell noted that there is no funding gap in Antelope Valley as this is a priority project. Sources have been identified to carry the Antelope Valley

Project through the first 12 years.

Brown asked if these funds could be potentially pulled out for other city projects? Korell said that yes they could be, except such action would violate the Mayor's Charge to the Committee. The Charge stated that it was assumed the Antelope Valley would receive priority in the allocation of future street funds. It is also assumed that we will complete the beltway projects as scheduled.

Brown asked if those funds could be used for other projects? Abbott said that when the summary handout the Committee was looking at was put together, that the Antelope Valley and Beltway projects would be the two top funding priorities. Korell added that these were and will be community type decisions.

Korell then review the summary table for the South Beltway. This table showed the engineering and construction costs for first 6 years, with the sources of funding identified. A review of the East Beltway funding table showed no expenditures in the first 6 years, with funds in the second 6 year period devoted mostly to some initial construction and engineering costs.

Marvin asked if the cost to Lincoln of the East Beltway would be 122 times 20%. Abbott advised that the project requires 80% federal demonstration funds of the \$122 million -- so the cost to Lincoln in the out years would be 20% of \$122 million less what we have shown above. Abbott referred the Committee to the table's footnote which indicated that the table presented the city's share of the beltway's cost, and did not include the federal share.

Marvin asked if there was any way to speed up construction of the East Beltway. Abbott commented that if we had the money we could speed things up, but this would also increase the near term gap. Brown asked if there were any other sources of funding for the East Beltway. Abbott said no, none other than the demonstration monies from the Federal government. If the Finance Work Group recommends something such as bond issues, then those funds could be used as additional revenues.

Korell went on to discuss street operations and maintenance costs. Abbott explained this is for such activities as snow removal, pot holes filing, striping, and that type of thing. Meginnis asked a question and it was explained O&M (Operations and Maintenance) is not the same as rehabilitation. These latter cost were included on the next sheet of the handout.

Korell noted that the next sheet shows the cost figures for the assumed Arterial/Residential and Rehab program -- this is rebuilding the existing stock of our streets. We have been running this about \$6-7 million a year. Abbott indicated that the key thing to remember here again is that the first four pages were given as the priority elements and thus have funding assigned to them -- in short, there was no identified gap for these projects. These were assumed priority projects -- the initial allocation of funds was given over to Antelope Valley, the South Beltway and the East Beltway, Operations and Maintenance, and Rehabilitation.

Korell explained the final page is very preliminary -- it shows a summary of the first pages along with other projected project needs. At the next meeting of the Finance Work Group on January 8, 2003, they will look closer at the Water and Wastewater financing in order to try to find ways to close the financial gap; and once that is completed, the Work Group will then discuss street financing. Gauger asked if the gap shown on the last handout was just for streets and she was answered yes, that is correct. Marvin indicated that the gap is around \$500 million for all the sheets. Abbott stated that the gap for streets is about \$350 million, the gap for water is about \$97-\$98 million and the gap for waste water is about \$70. Bayer asked if there were any further questions.

7. Next Meeting

Bayer suggested they set the next meeting for the third Thursday of the month, preferably in the afternoon. Bayer noted that as the Work Group meetings decrease in number over the coming month, that the number of meetings for the Committee will need to increase. It was decided that the next meeting of the Committee will be planned for January 16, 2003, for 4:00 - 5:30 p.m. Also tentatively scheduled Committee meetings were set for the third Thursday of the following three months -- February 20, March 20 and April 17. Other meeting dates will likely be added in the future.

8. Adjournment

Bayer thanked everyone and wished them all a very safe holiday season, ending with Merry Christmas and Happy New Year to all.

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